

**AUDIT REPORT OF  
LYON COUNTY  
SHERIFF'S SETTLEMENT-2006 TAXES**

For the Period April 13, 2006 through April 30, 2007

**Donna Bouvier  
Certified Public Accountant**

**Member: American Institute of Certified Public Accountants  
Kentucky Society of Certified Public Accountants**

## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE LYON COUNTY SHERIFF'S SETTLEMENT - 2006 TAXES**

**For the Period April 13, 2006 through April 30, 2007**

I have completed the audit of the Sheriff's Settlement - 2006 Taxes for Lyon County Sheriff for the period April 13, 2006, through April 30, 2007. I have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

The Sheriff collected taxes of \$4,139,485 for the districts for 2006 Taxes; retaining commissions of \$170,106 to operate the Sheriff's office. The Sheriff distributed taxes of \$3,968,479 to the districts for 2006 taxes after refunds of \$880.

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.

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To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable James C. Campbell, Lyon County Judge/Executive  
Honorable Kent Murphy, Lyon County Sheriff  
Members of the Lyon County Fiscal Court

**Independent Auditor's Report**

I have audited the Lyon County Sheriff's Settlement - 2006 Taxes for the period April 13, 2006, through April 30, 2007. This tax settlement is the responsibility of the Lyon County Sheriff. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for Sheriff's Tax Settlements* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Lyon County Sheriff's taxes charged, credited, and paid for the period April 13, 2006, through April 30, 2007, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable James C. Campbell, Lyon County Judge/Executive  
Honorable Kent Murphy, Lyon County Sheriff  
Members of the Lyon County Fiscal Court  
(Continued)

In accordance with *Government Auditing Standards*, I have issued a report dated August 16, 2007, on my consideration of the County Sheriff's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Respectfully submitted,

*Donna Bouvier*

Donna Bouvier  
Certified Public Accountant

August 16, 2007

LYON COUNTY  
KENT MURPHY, SHERIFF  
SHERIFF'S SETTLEMENT - 2006 TAXES

For the Period April 13, 2006 through April 30, 2007

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 418,946	\$ 811,152	\$ 1,751,552	\$ 570,480
Tangible Personal Property	33,094	114,175	70,391	50,427
Fire Protection	442	99,660		
Franchise Taxes-Billed	61,954	114,766	157,926	
Additional Billings	7	20	29	10
Bank Franchise	25,105			
Penalties	1,928	4,240	7,996	2,654
Adjusted to Sheriff's Receipt	(1)	25	9	1
	<hr/>	<hr/>	<hr/>	<hr/>
Gross Chargeable to Sheriff	\$ 541,475	\$ 1,144,038	\$ 1,987,903	\$ 623,572
 <u>Credits</u>				
Discounts	\$ 7,868	\$ 15,687	\$ 29,601	\$ 10,080
Exonerations	1,286	2,895	5,377	1,751
Delinquents:				
Real Estate	4,786	10,791	19,996	6,513
Tangible Personal Property	57	93	122	135
Franchise Taxes:				
Uncollected	8,461	13,916	17,995	
Delinquent	19	32	42	
	<hr/>	<hr/>	<hr/>	<hr/>
Total Credits	\$ 22,477	\$ 43,414	\$ 73,133	\$ 18,479
	<hr/>	<hr/>	<hr/>	<hr/>
Taxes Collected	\$ 518,998	\$ 1,100,624	\$ 1,914,770	\$ 605,093
Less: Commissions *	22,345	45,166	76,591	26,004
	<hr/>	<hr/>	<hr/>	<hr/>
Taxes Due	\$ 496,653	\$ 1,055,458	\$ 1,838,179	\$ 579,089
Taxes Paid	496,535	1,055,266	1,837,824	578,854
Refunds (Current and Prior Year)	106	194	359	221
	<hr/>	<hr/>	<hr/>	<hr/>
Due Districts or (Refunds(s) Due Sheriff) as of Completion of Fieldwork	\$ 12	\$ (2)	\$ (4)	\$ 14
	<hr/>	<hr/>	<hr/>	<hr/>

\*\*

\*And \*\* See Page 4.

The accompanying notes are an integral part of this financial statement.

LYON COUNTY  
KENT MURPHY SHERIFF  
SHERIFF'S SETTLEMENT - 2006 TAXES  
For the Period April 13, 2006 through April 30, 2007  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on		1,799,046
4% on		2,311,386
1% on		19,054

\*\* Special Taxing Districts:

Ambulance District	\$	7
Health District		2
Fire District # 2		(11)

Due Districts or (Refund(s) Due Sheriff)	\$	(2)
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The accompanying notes are an integral part of the financial statement.

NOTES TO FINANCIAL STATEMENT



LYON COUNTY  
NOTES TO FINANCIAL STATEMENT

April 30, 2007

Note 1: Summary of Significant Accounting Policies:

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2: Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

LYON COUNTY  
NOTES TO FINANCIAL STATEMENT  
SHERIFF'S SETTLEMENT - 2006 TAXES  
April 30, 2007  
(Continued)

Note 2: Deposits (Continued)

Custodial Credit Risk- Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). For the period April 13, 2006, through April 30, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3: Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2006. Property taxes were billed to finance governmental services for the year ended June 30, 2007. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 4, 2006, through April 30, 2007.

Note 4: Interest Income

The Lyon County Sheriff earned \$9,178 as interest income on 2006 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5: Sheriff's 10% Add-on Fee

The Lyon County Sheriff collected \$12,469 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6: Advertising Costs and Fees

The Lyon County Sheriff collected \$2,600 of advertising costs and advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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To the Honorable James C. Campbell, Lyon County Judge/Executive  
Honorable Kent Murphy, Lyon County Sheriff  
Members of the Lyon County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

I have audited the Lyon County Sheriff's Settlement - 2006 Taxes for the period April 13, 2006, through April 30, 2007, and have issued my report thereon dated August 16, 2007. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Lyon County Sheriff's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lyon County Sheriff's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Lyon County Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting which is a basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting  
And On Compliance and Other Matters Based On An Audit  
Of The Financial Statement Performed In Accordance With  
*Government Auditing Standards*  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lyon County Sheriff's Settlement -2006 Taxes for the period April 13, 2006, through April 30, 2007, is free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Lyon County Fiscal Court and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

*Donna Bouvier*

Donna Bouvier  
Certified Public Accountant

August 16, 2007